GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3972
ANSWERED ON:17.08.2001
ADVANCE INCOME TAX
UMMAREDDY VENKATESWARLU

Will the Minister of FINANCE be pleased to state:

(a) whether the big Corporate Houses have been paying huge amounts as advance income tax in excess of their tax liability and consequent loss to Government`s exchequer on account of payment of interest on these amounts deposited;

(b) if so, the details of corporate houses/industries who have resorted to such practice;

(c) the total loss to exchequer on account of this;

(d) whether the officials involved in these rackets have been held responsible; and

(e) if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI GINGEE N. RAMACHANDRAN)

(a) Advance tax payment is required to be made under the Income tax Act, 1961 on the principle of ` pay as you earn` during the same period when the income is being generated. Therefore, necessarily, it is based on estimation of income as the final income can be known only when the accounting period is over and accounts are finalised. In view of the above provisions of law, it is not correct to say that corporate houses over estimate their tax liability only to earn interest. Further more, the rate of interest paid on refund arising out of the excess advance tax now stands at 0.75 percent for every month or part of the month with effect from 1st of June, 2001. On the other hand, for non-payments/short payment of advance tax, the rate of interest levied is 1.25 per cent for every month or part of the month. Again, the interest on refund is calculated from the 1st day of April of the assessment year and not from the date of payment of advance tax; whereas for non-payment or short payment or deferment of advance tax higher interest is levied from the due date itself.

(b) Does not arise in view of (a) above.

(c) As the statutory interest is paid on excess amount of advance tax on the principle that the money was used by the exchequer, it is not treated as a loss.

(d)&(e) Do not arise.